

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6196

BILL NUMBER: HB 1020

NOTE PREPARED: Nov 12, 2006

BILL AMENDED:

SUBJECT: Tax Deduction for Stillborn Child.

FIRST AUTHOR: Rep. Torr

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides a deduction from Adjusted Gross Income for each certificate of birth resulting in stillbirth issued to an individual in a taxable year.

Effective Date: January 1, 2008.

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new deduction. The DOR's current level of resources should be sufficient to implement the new deduction.

Explanation of State Revenues: The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual taxpayers in the taxable year that they have a stillbirth. The revenue loss due to this bill could potentially total about \$40,000 to \$50,000 annually beginning in FY 2009.

Background: The bill creates an AGI Tax deduction for individual taxpayers who have a stillbirth during the taxable year. The deduction is equal to \$2,500 in the taxable year for which a certificate of birth resulting in stillbirth is issued to the taxpayer by a local health department. This would reduce the taxpayer's income tax liability by \$85 for that year. According to State Department of Health data, an average of about 550 stillbirths have occurred annually in Indiana since 2000. Assuming between 500 and 600 stillbirths per year, the deduction could lead to an annual revenue loss ranging from \$40,000 to \$50,000 per year, provided the deduction is claimed by all eligible taxpayers. Since the deduction is effective beginning in tax year 2008, the fiscal impact would begin in FY 2009. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited in the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Because the proposed deduction would serve to decrease taxable income, counties imposing local option income taxes (CAGIT, COIT, and/or CEDIT) may, as a result, experience a minimal decrease in revenue from these taxes.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties with a local option income tax.

Information Sources: *Indiana Mortality Report, 2000-2004*, Indiana State Department of Health, Epidemiology Resource Center, Data Analysis Team.

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